90-06939/

The Regional Municipality of Ottawa-Carleton

1989 Annual Report

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1989 Regional Council Members

HARRY ALLEN
Mayor
City of Gloucester
Executive Committee Member

ALBERT BOUWERS
Mayor
Township of Osgoode
Executive Committee Member

JIM DURRELL
Mayor
City of Ottawa
Executive Committee Member

JANE FISHER
Alderman
City of Ottawa
Executive Committee Member

BEN FRANKLIN
Mayor
City of Nepean
Executive Committee Member

JACQUELIN HOLZMAN
Alderman
City of Ottawa
Executive Committee Member

DARREL KENT
Alderman
City of Ottawa
Executive Committee Member

ANTON WYTENBURG
Mayor
Township of Goulburn
Executive Committee Member

DES ADAM
Mayor
City of Kanata

GLENN BROOKS
Mayor
Township of Rideau

GEORGE BROWN
Alderman
City of Ottawa

EDWARD CAMPBELL
Alderman
City of Gloucester

BRIAN COBURN
Mayor
Township of Cumberland

GUY COUSINEAU
Alderman
City of Vanier

ERIC CRAIG
Mayor
Twp. of West Carleton

FIONA FAUCHER
Alderman
City of Gloucester

DIANE HOLMES
Alderman
City of Ottawa

CORD HUNTER
Alderman
City of Nepean

MICHAEL JAMGAN
Alderman
City of Ottawa

JAMES JONES
Alderman
City of Ottawa

TIM KEHOE
Alderman
City of Ottawa

GEORGE KELLY
Alderman
City of Ottawa

GISÈLE LALONDE
Mayor
City of Vanier

MARC LAVICLETTE
Alderman
City of Ottawa

AL LONEY
Alderman
City of Nepean

MARK MALONEY
Alderman
City of Ottawa

MICHAEL McGWEENEY
Alderman
City of Ottawa

PATRICK MURRAY
Mayor
Vill. of Rockcliffe Pk.

JOAN O'NEILL
Alderman
City of Ottawa

FRANK REID
Alderman
City of Nepean

NANCY SMITH
Alderman
City of Ottawa

LYNN SMYTH
Alderman
City of Ottawa

Andrew S. Haydon
Chairman

The Pursuit of Excellence

Ten years ago, Regional Council embarked on an aggressive and ambitious plan to change local government by following a strategic business plan.

The essence of that plan was to build on our strengths, protect the environment and to provide compassionate care for our underprivileged in a fiscally responsible manner.

We identified our strengths as tourism, high technology, mobility through mass transit, farsighted land use planning and our unique quality of life.

We approved the twin financing fundamentals of user-pay and pay-as-you-go, in order to meet the financial obligations of the fastest growing metropolitan area in Canada.

In 10 years, our financial reserves have grown from virtually nil to almost $200 million. For 10 consecutive years, the business of the Region has sustained a surplus.

OC Transpo was declared the recipient of the most Outstanding Achievement Award by the American Public Transit Association for its excellence, successful transit innovations and exceptional ridership.

Our Transitway construction cost is a third of other recent contemporary transit systems. Every section of the Transitway has been built *under budget*.

In the last five years, Ottawa-Carleton has led all municipalities in Canada in economic performance (Hemson Report 1988 & 1989) and enjoys the highest credit rating (AAA) given to municipalities in *North America*.

Is it any wonder that the future belongs to Ottawa-Carleton? I am proud of this unique record of achievement.

It did not occur by accident. It is the product of a well-thought-out plan and the result of strong, determined and energetic leadership by a succession of Regional Councils.

Mr. Bartlett's in-depth review of Regional Government concluded: "Regional Government has performed quite well and has been most successful."

Tough decisions, although unpopular at the time, have provided the structural foundation for the exponential growth and development to be faced in the next decade.

Andy Haydon,
Chairman,
Regional Municipality of
Ottawa-Carleton

Department & Commission Heads

R. S. Clark
Chief Administrative Officer

R. J. Anderson
Personnel Commissioner

G. J. Armstrong
Executive Director
Homes for the Aged

J. A. Bonsall
General Manager
OC Transpo

G. Brown
Regional Clerk/
Administrative Co-ordinator

J. D. Cameron
Regional Solicitor

Dr. S. J. Corber
Medical Officer of Health

B. Eastwood
Director of Property Services

J. C. LeBelle
Finance Commissioner & Treasurer

R. F. Palmer
Regional Internal Auditor

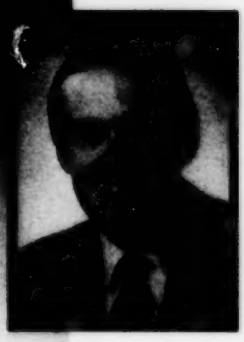
R. O. Pickard
Environmental Services Commissioner

A. J. Pope
Social Services Commissioner

M. J. E. Sheflin
Transportation Commissioner

N. Tunnacliffe
Planning Commissioner

Confronting the Nineties — A Decade of Growth and Opportunity



Ronald S. Clark
Chief Administrative Officer

Reflecting on the '80s — Building on Our Strengths

As this decade draws to a close, it is evident that prudent decisions taken by successive Regional Councils during the last ten years have ensured that the Regional Municipality of Ottawa-Carleton is well-positioned to confront the challenges of the '90s.

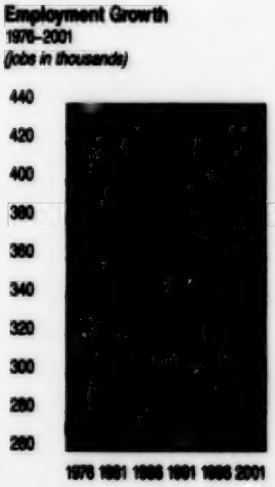
Our local economy during the last decade was characterized by strength and vitality. Population growth exceeded 100,000, more than 90,000 jobs were created, and in excess of 58,000 housing units were constructed. In fact, metropolitan Ottawa was identified by The Hemson Group as the top performing Canadian urban centre for the period of 1984 to 1988.

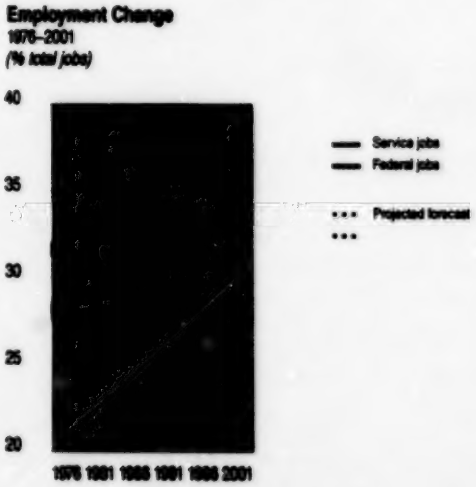
During this period, we witnessed a significant diversification of our economy with major growth occurring in employment sectors other than the traditional leader — the public service. Industries such as biotechnology, health sciences, microprocessing, and the hospitality and tourism sectors experienced important new growth. But while the last 10 years have been characterized by growth and prosperity for Ottawa-Carleton, there are nevertheless many changes on the horizon which will serve both to challenge and inspire our regional community.

Dimensions of Change

Forecasts for metropolitan Ottawa in the next decade are promising. The local economy should continue to diversify, producing new jobs in many of the same sectors that showed such robust activity in the '80s. Indeed, it is projected that as many as 60 to 70 thousand new jobs will be created in the next decade.

While Federal employment will decline to approximately 20% of the total Regional labour force, this will be offset by significant job creation in other areas, particularly





the service sector. While the fast-growing service sector will include high technology jobs, it will also embrace many new positions in health and social services, the hotel and restaurant trade, recreation and associated tourism activities.

The population of the Region will continue to grow during the '90s, approaching 725,000 people by the turn of the century.

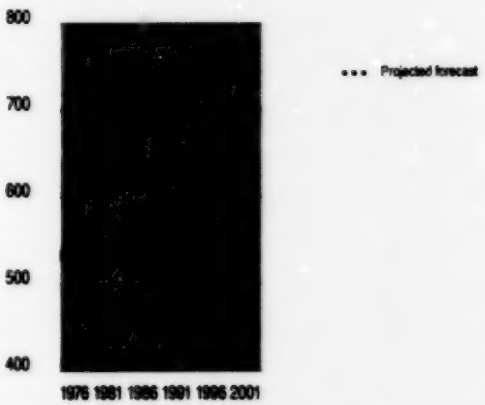
There are a number of anticipated demographic shifts which will have significant implications for the future of this metropolitan community and particularly for our corporation. For example, we will experience a substantial increase in the 65-74 age group and an actual doubling of the over 75 age cohort. This aging phenomenon will clearly express itself in the need for an increased and expanded range of community-based services and institutional care arrangements designed to support this burgeoning group.

Consistent with a vibrant economy and a steady pace of employment growth, significant increases also will be seen in the 25 to 44 age group. Substantial growth in this age bracket will manifest itself in the need for housing, public transit, adequate road networks and other community services.

Finally, we will see the continuation of a trend towards accelerated growth beyond the Greenbelt into the suburban communities and the rural townships. This pattern of urban expansion will create significant demands for more regional roads and the continued development of our transitway system. Development will also impact the Region financially as pressure mounts to extend major infrastructure across and beyond the Greenbelt.

In many respects, the future agenda of the Region will be dictated by the patterns of change reflected in the emerging demographic shifts, in our robust local economy, and perhaps most critically in the spatial nature of the Region's future growth.

Population Growth
1976–2001
(in thousands)



The Environment

There is every reason to believe that the public's passion for environmental quality strongly expressed during this decade will continue into the '90s. The Region is well-positioned to respond to our citizens' expectations in several important environmental areas. For example, decisions taken in the 1980s regarding upgraded and expanded sewage treatment and the availability of quality potable water will permit the Region to provide the necessary infrastructure services critical to a vibrant and growing community. Further, the next decade will see significant public expectation in the field of solid waste handling. Accordingly, the Region will be expected to demonstrate leadership in a number of areas related to solid waste management including reuse, recycling and reduction. In fact, experimental initiatives this year such as the Region's Household Environmental Clean-up Days, will become much more commonplace in the '90s.

Sustainable Development

This metropolitan area is blessed with one of the finest living environments in North America. Furthermore, the residents are deeply aware of the importance of a quality community and are committed to its preservation. Indeed, the public will demand that future growth is sustainable and that their communities are healthy — not only in a medical or biological sense, but also from the holistic standpoint of transportation, sewage treatment, water quality, waste management, availability of social and human services, equality of opportunity and access to government, etc.

Public transit, the cornerstone of Ottawa-Carleton's planning during the '70s and '80s, will continue to be critical in shaping the form and quality of the metropolitan environment in the '90s.

As well, road accessibility will be essential as housing concentrates beyond the Greenbelt. The need for region-wide mobility is underscored by the continued presence of major employment centres inside the Greenbelt.

Finally, there is every indication that Canada will continue to become more ethnically diverse. This will require that urban centres like metropolitan Ottawa, acknowledge and accommodate the varied needs and interests of an increasingly multicultural community, particularly as they relate to the delivery of our social and human services.

Financial Preparedness

As a result of the foresight and wisdom of financial policies instituted during the '80s, and despite the daunting challenge of an extensive capital program, the Region is well-positioned to exhibit leadership in providing the much needed services and facilities in the future. Capital expenditures over the emerging decade are projected to exceed $2.5 billion (adjusted for inflation). However, the Region's commitment to the philosophy of pay-as-you-go has generated the capital reserve funds essential to help finance this framework of infrastructure necessary to sustain the quality of life enjoyed by so many in Ottawa-Carleton.

As well, the appropriate utilization of user-pay charges will ensure the availability of funds essential for the supply of water and the rehabilitation of our sewer system, critical to the growth and vitality of the Region. Also, the next decade will see a steady and significant increase in user charges related to garbage disposal. This user-pay revenue is necessary to finance environmentally sound, long-term solutions to waste management.

The use of Regional Development Charges, instituted in 1985 will begin to pay significant dividends in the 1990s. For example, it is projected that R.D.C. funds will finance over $52.5 million in growth-related infrastructure over the next 10 year period.

With the Region's Triple A credit rating and the continuation of prudent and responsible fiscal management practices, the corporation is well-prepared to make a positive contribution to the enrichment of our metropolitan area through the provision of essential infrastructure and community services.

Institutional Change: The Emergence of Regional Government

Regional Government has played a significant role over the last two decades in the growth and development of this metropolitan area. David Bartlett, in a report submitted this year to the Government of Ontario, noted that:

"It is clear that the Regional Municipality of Ottawa-Carleton has been most successful in the planning and delivery of major services on a metropolitan basis: sewer, water, roads and transit, social services."

Certainly, for the 1990s the continuing emergence of strong regional government will be the case in this metropolitan area. For example, the Regional Municipality of Ottawa-Carleton will assume a new physical presence next year with the move to its new regional headquarters. But more than a physical statement, Regional Government will continue to play, in partnership with area municipalities, a critical role in the provision of essential infrastructure and human services necessary to sustain this community and reaffirm our leadership role in Ontario and indeed Canada.

Administratively, the '90s will also involve ongoing change for the Corporation. Notwithstanding the ultimate political structure of RMOC as a result of the Bartlett Report, all governments, particularly at the local level, will be increasingly expected to communicate more broadly with their citizens and to provide access and openness to decision-making on issues of community importance.

Further, just as the overall economy will become increasingly service-based and the consumer more service conscious, the delivery of public services by local governments will be judged by new standards of quality and effectiveness. Additionally, the emerging demographics clearly demonstrate that the '90s will be a period in which the labour market will begin to favor the employee and not the employer. This phenomenon will place significant pressure on institutions like RMOC to effectively recruit, train and retain its employees. Successful organizations in the '90s will be those that recognize the importance of their employees and who seek ways to acknowledge their contributions, and create environments conducive to excellence and achievement.

Institutionally, it will be critical for Regional Government to play an important partnership role in helping to integrate and articulate a coherent and cohesive economic vision of the future of Ottawa-Carleton. The factors which propelled our regional economy in the past may not be the dominant features of our metropolitan economy in this decade and the century to come. In recognition of an increasingly complex and competitive global economy, one can no longer presuppose their regional, provincial or national dominance.

David Bartlett made the following important observation in his recent review of RMOC when he stated:

"For more than a century, the Federal Government has been the motor of development in Ottawa-Carleton. Local governments, by and large, have been content simply to be towed along. The motor will continue to run, but it is no longer accelerating, at least as far as this region is concerned. If the pace of development and of improvements in the quality of life is to be maintained, the residents of the region will have to take some hand in shaping their own destiny. An effective, accountable Regional Government is the only instrument available to accomplish this."

In conclusion, the Regional Municipality of Ottawa-Carleton has a strong viable foundation upon which to meet the economic, social and environmental challenges that it will be facing in the '90s and beyond. It is also essential that RMOC demonstrate leadership in the reshaping of its political structures and programs to maintain the climate in which the economic and social fabric of Ottawa-Carleton continues to prosper. And more importantly, it is critical that the Corporation rededicate itself over the next decade to becoming a primary instrument of change through which the aspirations of its citizens can be best fulfilled.

R. S. Clark

Ronald S. Clark

Chief Administrative Officer

Finance Commissioner's Letter for Financial Report

I am pleased to present the 1989 Financial Report that details the financial results for the year and highlights the excellent financial position of the Region. These statements clearly point out the strength of the Region's financial position despite the pressures of coping with one of the highest growth rates in Canada and the resultant demands of services and structures. The Region has accomplished this feat and at the same time reduced reliance on debt financing. Many difficult financing decisions by Regional Council over the years, such as the introduction of development charges to pay for new infrastructure, now place the Region in this sound position in spite of having the largest spending program in the history of the Region.

As proof of this strength, the Region has been confirmed as a Triple A credit by both of North America's most highly recognized credit-rating agencies, a feat accomplished by only a handful of municipalities.

Our auditors, Ernst and Young, have examined the financial statements in the subsequent pages of the report.

I would like to take this opportunity to acknowledge the people who serve the residents of Ottawa-Carleton. Their dedication and ability to adapt and respond to changes make Ottawa-Carleton a great place in which to live and work.

J. C. LeBelle

Finance Commissioner

Year-End Position

Although the Financial Statements indicate a break-even operating situation, actual 1989 operating results recorded a $13.7 million surplus.

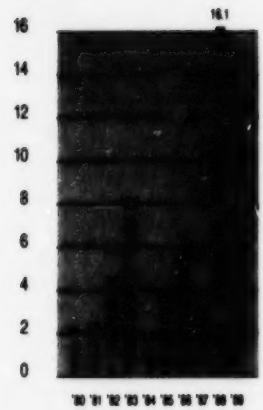
Regional Council has adopted a policy whereby any operating surplus is contributed to capital reserve funds to augment the Region's pay-as-you-go program.

Since 1981, these supplementary contributions have resulted in a cumulative reduction in future borrowing requirements of over $58 million.

A significant portion of the operating surplus for 1988 and 1989 occurred within the Fiscal Services category. It is attributable, in large measure, to decisions taken by the Region in view of the condition of financial markets in those years. With high interest rates prevailing during most of the period, capital projects were funded on a short term basis. Debentures which were forecast to be issued have been deferred in anticipation of more favourable long term interest rates.

While in retrospect, this decision proved to be a prudent course of action, it resulted in lower expenditures for debt financing and other financial costs.

Surplus
1980–1989
(millions $)



Operating Revenues and Expenditures

Revenue to fund the various Regional services and programs is received in the form of:

- government unconditional grants and direct subsidies for health and social services, road and bridge maintenance and transit operating costs;
- user-fee revenue generated by water and sewer surcharge rates, tipping fees, transit fares and resident fees charged at the Homes for the Aged;
- property taxes.

Over the last five years, property taxes, as a percent of total revenue, have remained relatively stable at about 36%. A major concern for future years, however, will be the impact of provincial decisions and policies on the local tax base. The provincial practice of capping subsidies on cost-shared programs in the social and health service areas, together with the continued uncertainty regarding unconditional grants may result in a need to re-evaluate programs and service levels in order to offset the additional pressures that will be exerted on the tax levy.

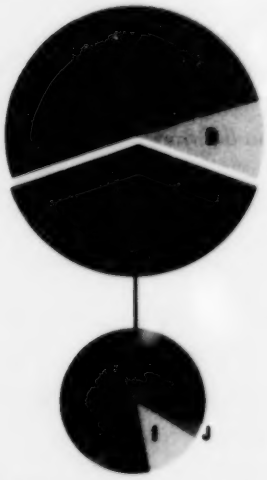
Operating Results
1989
Revenues

A Levies (36%)
B Grants (35%)
C User Fees (29%)

Expenditures over the last several years on health and social programs have escalated at a rate in excess of other Regional programs and now represent 41% of operating expenditures as compared to 35% in 1985. Some major reasons contributing to this situation include:

- caseload growth and welfare rate increases within the social assistance programs;
- increased demand for day care spaces and services;
- increased health care needs of elderly residents in the Region's Homes for the Aged.

Operating Results
1989
Expenditures



A Roads (10%)
B Sewer/Water (12%)
C Transit (28%)
D Others (9%)
E Social/Health (41%)
F Social (63%)
G Health (9%)
H Homes (12%)
I Day Care (13%)
J Others (3%)

Capital Program

Ottawa-Carleton continues to grow at a rapid pace; associated with that growth is increased demand for the supporting infrastructure — roads, bridges, sewers, water mains, transit systems and health care facilities.

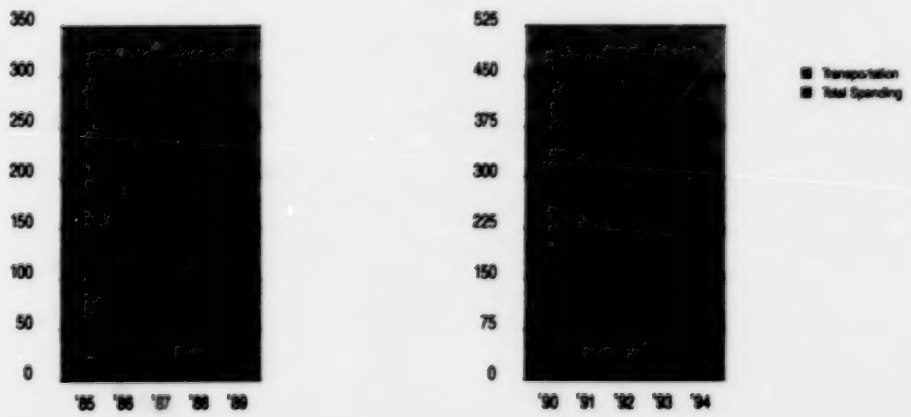
As illustrated in the five-year review section, transportation-related projects have, in the past, constituted the major portion of the Region's capital program.

While the Region will continue to expand its transportation system to meet needs of an ever-growing mobile population, it is also faced with major renovations and rehabilitation of the sewage collection and treatment system. Work on expanding the Robert O. Pickard Environmental Centre is in progress and is expected to be completed by 1993. When completed, the Centre will provide a more environmentally sensitive process and allow for growth for the next several decades.

The changing health care needs of elderly residents in the Homes for the Aged is resulting in an ongoing conversion from residential centres to an extended care facility. To deal with this situation and the needs of an aging population, $45.2 million will be spent over the next 10 years on upgrading facilities.

Construction of the new Ottawa-Carleton Centre, which will provide a new administrative home for the Region, was in its final stages of completion in 1989 with a planned opening of May 1990.

Capital Spending Program
(millions $)



Capital Financing

The demands for infrastructure outlined previously continue to place pressure on the financial resources of the Region.

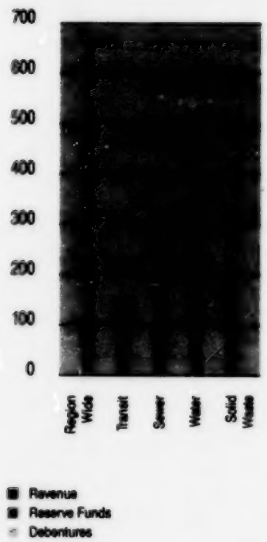
Over the last 10 years, Ottawa-Carleton has taken a number of steps to ensure a responsible funding base to finance its future.

- Regional Development Charges (R.D.C.) were introduced in 1985 to recover a portion of the cost directly associated with providing services to new housing developments.
- Pay-as-you-go and user-pay approaches to finance capital programs have reduced the need to issue debt to finance capital projects.
- A new financing policy related to the maintenance and growth of the sewer system introduced in 1989 will reduce debenture authority requirements in 1989 and 1990 by over $48 million.

These initiatives and sound financial management have allowed the Region to maintain a relatively stable position regarding its year-end debt position over the last five years, despite capital spending of over $800 million in the period. The financial integrity and health of Ottawa-Carleton is recognized throughout the international investment community through the Region's Triple A credit rating.

Financing of the Region's 10-year capital program is presented in the accompanying graph. The implementation of the policies discussed earlier has resulted in the Water and Transit systems being totally pay-as-you-go. In fact, examining financing of the future capital program, the Region will be able to fund a greater portion of requirements from reserves than from issuance of new debt.

Capital Forecast Results
Authority/Financing 1990-1999
(thousands $)



Reserves and Reserve Funds

Reserves and Reserve Funds have grown from $83.2 million five years ago to over $190 million at the end of 1989, with over $78 million committed to finance capital projects already under construction. The remaining balance is held for purposes such as growth-related capital projects, equipment replacement, foreign exchange costs on US$ denominated debentures, and vested sick and annual leave liabilities.

Until actual spending occurs, these funds represent an important source of short term borrowing for the Region in meeting day-to-day operating cash requirements.

Auditors' Report

Ernst & Young

To the Chairman and Members of
The Regional Municipality of Ottawa-Carleton

We have examined the consolidated balance sheet of *The Regional Municipality of Ottawa-Carleton* as at December 31, 1989 and the consolidated statements of operations and reserves and reserve funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of The Regional Municipality of Ottawa-Carleton as at December 31, 1989 and the results of its operations for the year then ended in accordance with the accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Ernst & Young

Chartered Accountants
Ottawa, Canada,
April 10, 1990

Consolidated Balance Sheet

December 31, 1989
(in thousands)

	1989 $	1988 $
Assets		
Unrestricted		
User charges receivable	15,431	8,578
Accounts receivable - Ontario	65,582	42,323
- Other	8,447	5,046
Inventories	8,154	8,059
Deferred charges	11,867	8,447
	109,481	72,453
Restricted		
Investments (note 2)	106,942	110,017
Loans receivable	76,503	45,159
	183,445	155,176
Capital outlay financed by long term debt and to be recovered in future years	226,728	202,012
Total Assets	519,654	429,641
Liabilities and Fund Balances		
Liabilities		
Temporary loans	4,613	3,951
Accounts payable	67,959	52,578
Loans from reserve funds	76,503	45,159
Other liabilities	1,721	1,572
	150,796	103,260
Net long term debt (note 5)	226,728	202,012
	377,524	305,272
Fund Balances		
Reserves	6,751	4,324
Reserve Funds	183,445	155,176
Unfinanced capital operations (notes 7a and 7b)	(48,066)	(35,131)
	142,130	124,369
Total Liabilities and Fund Balances	519,654	429,641

(See accompanying notes to consolidated financial statements.)

Consolidated Statement of Operations

Year ended
December 31, 1989
(in thousands)

	1989 $	1988 $
Sources of Financing		
Levy and User Charges		
Requisition on area municipalities	214,968	194,390
Transit fares	68,261	63,869
Sale of water	46,540	42,344
Sewer surcharge	38,025	15,270
Garbage disposal fees	7,483	6,143
Homes for the Aged resident fees	6,406	5,742
Day care fees	1,213	1,191
Other	6,786	5,327
	389,682	334,276
Contributions from Other Governments		
Ontario	287,162	227,786
Other municipalities	2,518	2,135
Canada	693	623
	290,373	230,544
Other		
Investment income	19,195	13,992
Development charges	7,811	22,928
Miscellaneous	4,642	3,151
	31,648	40,071
Proceeds from the Issue of Long Term Debt	50,000	34,364
	761,703	639,255
Reserves and Reserve Funds at beginning of year	159,500	131,822
	921,203	771,077

(See accompanying notes to consolidated financial statements.)

	1989 $	1988 $
Expenditure		
Current Operations		
Transit	133,466	126,538
Social services	125,956	110,883
Roads and traffic	49,908	44,766
Waterworks system	38,863	35,228
General government	27,371	19,510
Day care	26,022	24,101
Homes for the Aged	24,477	20,863
Sewer system	20,850	19,812
Health services	17,434	16,142
Planning and development	8,381	8,986
Children's Aid Society	5,000	4,882
Other	7,225	5,985
	484,953	437,696
Capital Operations		
Unfinanced capital operations at beginning of year	35,131	42,768
Transit	66,617	38,858
Sewer system	64,636	19,509
Roads and Traffic	47,535	48,285
Waterworks system	31,352	20,811
General government	29,901	24,917
Garbage disposal	2,346	6,526
Other	16,602	7,338
	294,120	209,012
Total Expenditure	779,073	646,708
Balances at end of year		
Reserves and reserve funds	190,196	159,500
Unfinanced capital operations	(48,066)	(35,131)
	142,130	124,369
	921,203	771,077

(See accompanying notes to consolidated financial statements.)

Consolidated Statement of Reserves and Reserve Funds

Year ended
December 31, 1989

	1989 $	1988 $
Balance at beginning of year	159,500	131,822
Revenue		
Contributions from current operations	114,703	81,384
Investment income	19,180	13,979
Development charges	7,811	22,928
Other	81	17
Total Revenue	141,775	118,308
Expenditure		
Transfers to capital operations	107,813	87,046
Transfers to current operations	3,266	3,584
Total Expenditure	111,079	90,630
Balance at end of year	190,196	159,500
Analyzed as follows:		
Reserves		
Deferred costs	3,017	1,738
Working capital	2,305	2,305
General	1,100	
Inventory	329	281
	6,751	4,324
Reserve Funds		
Capital expenditures	111,838	91,312
Development charges	24,231	26,349
Levy and rate stabilization	14,166	5,661
Equipment replacement	11,839	10,632
Debenture currency exchange	7,849	7,666
Vested employee benefits	7,808	8,417
Winter control	2,887	2,569
Self-insurance	2,827	2,570
	183,445	155,176
Balance at end of year	190,196	159,500

(See accompanying notes to consolidated financial statements.)

Note 1. Accounting Policies

December 31, 1989

These consolidated financial statements of The Regional Municipality of Ottawa-Carleton (the "Region") are the representation of management and are prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves estimates which have been made using careful judgement.

a. Basis of Consolidation

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the current fund, capital fund, reserves and reserve funds, and include the activities of all committees of Council and the Ottawa-Carleton Regional Transit Commission.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the Region and the resulting interest income and expenditures.

Trust Funds at the Homes for the Aged are not consolidated but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet". There are no other non-consolidated entities.

b. Basis of Accounting

(i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long term debt and vested leave benefits which may be paid on termination both of which are charged against operations in the years in which they are paid. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

(iii) Capital outlay which represents the outstanding principal portion of unmatured long term debt for municipal expenditures or capital funds transferred to other organizations, is reported on the Consolidated Balance Sheet.

(iv) Assets and liabilities, including long term debt expressed in a foreign currency, are translated into Canadian dollars at the current rate of exchange at the balance sheet date.

(v) Reserves are allocations out of current operations which are retained for general or specific purposes. Reserve Funds which usually require allocations out of current operations are supported by designated assets, usually cash and investments set aside by By-law for some specific future use.

(vi) Inventories of materials and finished goods are reflected at cost on the basis of average invoice price plus direct labour and overhead where applicable.

(vii) Debenture issue commissions and expenses as well as underwriting premiums are reflected in the Consolidated Statement of Operations in the year in which the debentures are issued. Underwriting discounts are reflected in the following year in accordance with section 187(3) of the Municipal Act.

(viii) Investments are initially recorded at cost and are adjusted annually for amortization of discount or premium on the basis of the effective annual yield, as determined at the date of purchase with the amount of such amortization included in investment income.

(ix) The Ottawa-Carleton Regional Transit Commission has a defined benefit pension plan and uses an accrued benefit actuarial method and best estimate assumptions to value pension obligations. Adjustments arising from past service benefits and experience gains and losses are amortized over the expected average remaining service lives of the employee groups. Current service costs are expensed in the period.

Note 2. Investments

Restricted investments are comprised of (in thousands):

	Amortized Cost	Par Value	Market Value
Regional debentures	$18,938	$19,155	$19,786
Other investments	87,168	88,635	88,016
	106,106	107,790	107,802
Accrued interest	836	836	836
	$106,942	**$108,626**	**$108,638**

Note 3. Pensions

a. The Region provides pension benefits for its employees and members of Regional Council through the Ontario Municipal Employees' Retirement System (OMERS), as well as the City of Ottawa Superannuation Fund (COSF) for certain employees formerly with the City of Ottawa. These plans are defined benefit plans which specify the amount of retirement benefit to be received by the employees based on the length of service and rates of pay.

Actuarial evaluations of the OMERS and COSF plans were made on January 1, 1988, and December 31, 1988 respectively and no experience deficiency existed in either plan.

The Region's share of the annual contribution to these pension plans is charged to expenditures in the year in which the contribution is made.

b. The Ottawa-Carleton Regional Transit Commission maintains a defined benefit plan which provides eligible employees with pensions based on length of service and final average earnings. The present value of accrued pension benefits as at December 31, 1989 was $93,539,000 ($81,219,000 in 1988). The net assets of the pension plan as at December 31, 1989, at market value, were approximately $93,376,000 ($75,563,000 in 1988).

Note 4. Liability for Vested Employee Benefits

The Region's liability with respect to employees' accumulated sick leave and annual leave days, to the extent that they are vested and could be taken in cash by an employee on termination, amounted to approximately $13,571,000 as at December 31, 1989 ($13,161,000 in 1988).

The Region has a Reserve Fund for vested employee benefits which at December 31, 1989 amounted to $7,808,000 ($8,417,000 in 1988).

Note 5. Net Long Term Debt

a. The balance of net long term debt reported on the Consolidated Balance Sheet is comprised of (in thousands):

	1989	1988
Long term debt issued by the Region	$468,964	$440,254
Long term debt issued by area municipalities and assumed by the Region	7,297	8,316
Total gross long term debt	476,261	448,570
Less total value of the Sinking Fund which has been accumulated to the end of the year to retire outstanding long term debt	88,571	88,497
Total net long term debt	387,690	360,073
Less net long term debt recoverable from area municipalities and school boards	160,962	158,061
Net long term debt for Regional purposes only	$226,728	$202,012

b. Principal payments including contributions to the Sinking Fund and interest charges for 1990 and future years are (in thousands):

	Principal	Interest	Total
1990	$21,860	$29,689	$51,549
1991	20,073	28,416	48,489
1992	21,029	26,512	47,541
1993	19,762	25,156	44,918
1994	18,133	21,343	39,476
1995–1999	62,002	65,598	127,600
2000 and thereafter	26,633	61,094	87,727
	$189,492	$257,808	$447,300
These charges will be paid from:			
General municipal operations	$161,048	$236,100	$397,148
Water operations	19,569	17,042	36,611
OC Transpo operations	8,875	4,666	13,541
	$189,492	$257,808	$447,300

In addition, it is estimated that total interest to be earned by the Sinking Fund will amount to approximately $37,236,000 which will be used to retire sinking fund debenture debt commitments at maturity.

c. Included in net long term debt on the Consolidated Balance Sheet is an amount of $50,208,000 ($60,062,000 in 1988) representing the Canadian dollar equivalent of debt payable in U.S. dollars translated at the rate of exchange prevailing at December 31, 1989.

In addition, long term debt payable in U.S. currency for area municipality purposes (reported in note 5(a)) and recorded in Canadian dollars at the rate of exchange prevailing at December 31, 1989, amounts to Cdn. $24,636,000 as at December 31, 1989 (Cdn. $30,330,000 in 1988).

As at December 31, 1989, the Region has a Debenture Currency Exchange Reserve Fund in the amount of $7,849,000 ($7,666,000 in 1988) a portion of which is used each year to offset foreign exchange costs of the Region.

d. The Region has exclusive authority to issue debentures for the purpose of financing its own projects and those of the area municipalities. All such debentures are direct, joint and several obligations of the Region and area municipalities. Area municipalities act as intermediaries for their respective electric utilities as no debt is issued directly on behalf of utilities by the Region. In addition, provincial legislation permits the Region to issue debentures for purposes of school boards within Regional boundaries.

The Region is therefore contingently liable for long term debt for which the responsibility for the payment of principal and interest has been assumed by the area municipalities and school boards. The total outstanding as at December 31, 1989 is $160,962,000 ($158,061,000 in 1988) and is not recorded on the Consolidated Balance Sheet.

Note 6. Charges for Net Long Term Debt (Regional Purposes)

Total charges for the year for net long term debt which are reported on the Consolidated Statement of Operations are (in thousands):

	1989	1988
Principal payment including contributions to the Sinking Fund	$19,659	$15,810
Interest	28,573	25,440
	$48,232	$41,250
These charges are paid from:		
General municipal operations	$39,929	$33,607
Water operations	5,909	6,103
OC Transpo operations	2,394	1,540
	$48,232	$41,250

Note 7. Fund Balances at End of the Year

a. The unfinanced capital operations of $48,066,000 ($35,131,000 in 1988) at the end of the year will be financed from the proceeds of long term debt.

b. Approval of the Ontario Municipal Board has been obtained for the pending issues of long term debt.

c. A surplus of $13,698,000 ($16,101,000 in 1988) in the current operations fund was contributed to the following reserve funds as authorized by Council (in thousands):

	1989	1988
Levy Generated		
Capital expenditures		
General	$4,223	$7,735
Sewer	229	2,650
Transit	298	1,543
Winter control		408
Levy stabilization — day care	339	95
Rate Generated		
Capital expenditures		
Water	1,197	1,367
Rate stabilization — sewer	7,412	2,303
	$13,698	$16,101

Note 8. Contingent Liabilities

a. A number of major landlords within the Region have instituted an action appealing the method used in calculating the assessment of multi-unit dwellings. The County Court has reversed a decision of the Assessment Review Court and has ruled in favour of the appellants but the decision is being appealed to the Ontario Municipal Board. Due to the degree of uncertainty in establishing the validity and the quantum of the claims, no provision has been recognized in the accounts of the Region.

b. The Region has other outstanding litigation and claims in dispute as at December 31, 1989, the settlement of which is not expected to have any material effect upon the current operations of the Region and accordingly, no provision has been made in the accounts.

Note 9. Non-accrual of Interest on Long Term Debt

No provision has been made in the consolidated financial statements for the accrual of interest on net long term debt. Had this provision been made for the first time in 1989, there would have been an additional charge of $7,768,000 ($7,989,000 in 1988). There would have been no change in the fund balance for current operations as this additional amount would have been levied in the year of change.

Note 10. Commitments

a. The Region has commitments with respect to outstanding contracts on capital projects at December 31, 1989 in the amount of $121,912,000 ($138,477,000 in 1988).

b. The Region is also committed to the following payments over the next five years under various lease agreements (in thousands):

1990	$3,112
1991	1,032
1992	959
1993	661
1994	170

Note 11. Budget Figures Not Provided

Budgets established for Capital Funds, Reserves and Reserve Funds are project oriented. As such, they are not directly comparable with current year actual amounts and, budgets have therefore not been shown on the Consolidated Statement of Operations.

Note 12. Public Liability Insurance

a. The Region is self-insured for public liability claims up to $50,000 per single occurrence. Outside coverage up to $10,000,000 is in place for claims in excess of these limits.

The Region has a reserve fund for self-insurance which at December 31, 1989 amounted to $1,024,000 ($913,000 in 1988) and is reported on the Consolidated Balance Sheet. The provision for the year of $200,000 ($100,000 in 1988) has been reported as an expenditure on the Consolidated Statement of Operations.

b. The Ottawa-Carleton Regional Transit Commission is self-insured for public liability claims up to $2,000,000 for any individual claim and $2,000,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits up to a maximum of $5,000,000.

The Commission has a reserve fund for self-insurance which at December 31, 1989 amounted to $1,803,000 ($1,657,000 in 1988) and is reported on the Consolidated Balance Sheet. The Commission plans to fund the reserve to an amount of $2,000,000.

Note 13. Financial Statement Presentation

Certain of the 1988 comparative amounts have been reclassified to conform with the presentation adopted in 1989.

Auditors' Report

Ernst & Young

To the Chairman and Members of
The Regional Municipality of Ottawa-Carleton

We have examined the balance sheet of the *Homes for the Aged - Trust Funds* as at December 31, 1989 and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as described in the following paragraph.

The Homes for the Aged - Trust Funds derives deposits from residents the completeness of which is not susceptible to conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded receipts might be necessary to deposits from residents and to the balances of cash and due to residents at the end of the year.

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the deposits described in the preceding paragraph, these financial statements present fairly the financial position of the Homes for the Aged - Trust Funds as at December 31, 1989 and the continuity of trust funds for the year then ended in accordance with the accounting principles described in the note to the financial statements applied on a basis consistent with that of the preceding year.

Ernst & Young

Chartered Accountants
Ottawa, Canada,
April 10, 1990

Homes for the Aged Trust Funds

Statement of Continuity

Year ended December 31, 1989

	Island Lodge	Carleton Lodge	Centre D'accueil Champlain	1989 Total	1988 Total
Balance at beginning of year	$1,128,169	$303,298	$163,917	$1,595,384	$,1,579,557
Deposits from residents	763,663	210,907	193,669	1,168,239	1,125,374
Interest earned	124,584	30,970	13,507	169,061	123,949
	2,016,416	545,175	371,093	2,932,684	2,828,880
Payments to or on behalf of residents	779,980	213,426	249,831	1,243,237	1,233,496
Balance at end of year	$1,236,436	$331,749	$121,262	$1,689,447	$1,595,384

Balance Sheet

Assets					
Cash	$1,236,436	$331,749	$121,262	$1,689,447	$1,595,384
Liabilities					
Due to residents	$1,236,436	$331,749	$121,262	$1,689,447	$1,595,384

(See accompanying note to consolidated financial statements.)

Homes for the Aged Trust Funds
Note to Financial Statements

December 31, 1989

Significant Accounting Policies

The financial statements of the Homes for the Aged Trust Funds of The Regional Municipality of Ottawa-Carleton have been prepared by management within reasonable limits of materiality and in accordance with accounting policies which conform to accounting principles prescribed for Ontario municipalities and on a basis consistent with the preceding year. The following is a summary of the significant accounting policies of the Homes for the Aged Trust Funds:

a) Deposits from residents and payments to or on behalf of residents are recorded on a cash basis.

b) Interest earned is recorded one month in arrears.

(All dollar amounts are in thousands except where indicated)	1989	1988	1987	1986	1985
Statistical Information					
Population	646,535	634,691	619,839	612,193	599,437
Households	264,627	258,255	250,881	245,052	237,726
Regional employees					
Active	5,116	4,807	4,630	4,638	4,483
Equalized assessment					
Total (millions)	44,185	40,121	34,226	29,623	24,518
Per household	168	155	136	121	103
Current Revenue					
Levies	214,968	194,390	173,122	155,159	140,146
Grants	204,787	182,738	163,755	142,867	124,676
Other	182,266	146,301	133,585	127,612	114,190
Total (note 1)	602,021	523,429	470,462	425,638	379,012
Current Expenditure					
Fiscal	165,300	126,982	104,088	92,732	80,172
Operating	436,721	396,447	366,637	332,906	296,284
Total (note 1)	602,021	523,429	470,725	425,638	376,456
Per household (dollars)	2,275	2,027	1,876	1,737	1,584
Capital Financing					
Subsidies	85,492	47,794	64,741	42,613	54,582
Debentures	50,000	34,364	559	28,289	24,406
Own Funds	110,177	91,394	41,582	47,543	35,453
Other	384	328	181	265	238
Total (note 1)	246,053	173,880	107,063	118,710	114,679
Capital Expenditure					
Transportation	114,151	87,143	90,816	81,742	91,677
Other	144,837	79,101	54,924	36,567	24,071
Total (note 2)	258,988	166,244	145,740	118,309	115,748
Per household (dollars)	979	644	581	483	487
Net Long Term Debt					
Total	226,728	202,012	193,504	218,423	210,644
Per household (dollars)	857	782	771	891	886
% of equalized assessment	0.51	0.50	0.57	0.74	0.86
Reserves and Reserve Funds	190,196	159,500	131,822	97,723	83,248

Note 1 - Current revenue, current expenditure and capital financing include interfund transfers which are eliminated on the Consolidated Statement of Operations.

Note 2 - Total capital expenditure does not include "Unfinanced capital operations at beginning of year" included in the comparable totals on the Consolidated Statement of Operations.

Note 3 - Statistical information is not subject to audit.